

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN
REGARDING THE REDUCTION OF
CERTAIN DEBTS OWED TO, GUARANTEED OR INSURED BY
THE UNITED STATES GOVERNMENT

The Government of the United States of America (the "United States") and the Government of the Islamic Republic of Pakistan ("Pakistan") agree as follows:

Article I

Purpose and Application of the Agreement

1. Subject to the terms of this Agreement and in accordance with the applicable laws of the United States and Pakistan, the United States and Pakistan agree to the reduction of certain Pakistani debts that are owed to the United States with respect to PL 480 credits.
2. This Agreement will be further implemented by a separate agreement (the "Implementing Agreement") between Pakistan and the United States Department of Agriculture ("USDA") concerning PL 480 agreements.

Article II

Definitions

1. "Contract" means the Rescheduling Agreement between the United States and Pakistan signed on August 23, 2002 insofar as it applies to USDA PL 480 credits rescheduled thereunder.

A table listing the relevant Contract to be included under the reduction is attached hereto as Annex A.

2. "Relevant ODA Principal" means one hundred (100) percent of the principal outstanding as of December 1, 2002, which was contracted for before September 30, 1997, under the Contract specified in paragraph 1 of this Article.

Article III

Terms and Conditions

1. 91.4658 percent of the Relevant ODA Principal is hereby cancelled. The amount of cancellation is not to exceed \$1,000,000,000.

A table summarizing the amount of Relevant ODA Principal is attached hereto as Annex B.

2. Pakistan agrees to repay the remaining 8.5342 percent of Relevant ODA Principal and the associated interest in accordance with the terms and conditions set forth in the

Contract. Following signature of this agreement, USDA will send Pakistan a complete debt list and payment schedule for the aforementioned remaining debt.

3. Consistent with Article IV of this Agreement, amounts of Relevant ODA Principal may be modified by mutual consent.

Article IV

General Provisions


1. Nothing in this Agreement shall affect the rights or obligations of either the United States or Pakistan under other agreements, contracts, grants or loans that are not specifically identified in Annex A to this Agreement.
2. All terms of the Contract remain in full force and effect, except as they may be modified by this Agreement or related Implementing Agreement.
3. This Agreement may be amended or modified by mutual written consent of the United States and Pakistan.

Article V

Entry into Force

This Agreement shall enter into force following signature of the Agreement and receipt by Pakistan of written notice from the United States that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Islamabad, Pakistan in duplicate in the English language, this 5th day of April , 2003.


FOR THE GOVERNMENT OF
UNITED STATES OF
AMERICA


FOR THE GOVERNMENT OF
THE ISLAMIC REPUBLIC
OF PAKISTAN

Annex A
Contract Subject to Reduction

August 23, 2002

Annex B
Summary of Relevant ODA Principal
(in thousands of USD)

USDA PL 480\$1,093,304